

This record is a partial extract of the original cable. The full text of the original cable is not available.

291427Z Oct 05

C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 001581

SIPDIS

SENSITIVE

NEA/ARPI

E.O. 12958: DECL: 10/23/2015

TAGS: [PREL](#) [PGOV](#) [ELAB](#) [ETRD](#) [BTIO](#) [BA](#)

SUBJECT: EDB CHIEF OUTLINES ECONOMIC PLAN

REF: MANAMA 1013

Classified By: Ambassador William T. Monroe, reasons 1.4 (b) and (d)

-----  
SUMMARY  
-----

1. (C) Economic Development Board (EDB) CEO Shaikh Mohammed Bin Essa Al Khalifa October 18 presented the EDB's plan for economic reform to a gathering of the local American Chamber of Commerce (AmCham). Shaikh Mohammed identified three key pillars for reform: investment in people; stimulation of business; and accountability and transparency in government. He has presented the substance of this presentation before and some Bahraini business leaders are openly beginning to question his ability to translate plans into action. He will need to show results soon if he is to maintain the confidence of the business community. End summary.

-----  
ECONOMIC VISION OUTLINED  
-----

2. (U) Shaikh Mohammed October 18 presented an economic reforms blueprint for Bahrain to the Bahrain American Chamber of Commerce. He opened by observing that Bahrain has come a long way since gaining independence from the UK in 1971 and has transformed itself from a country offering only basic amenities into a world-class financial hub.

3. (U) He noted that Bahrain enjoys key advantages, including regionally competitive start-up costs and a geographically advantageous location - featuring access to Saudi Arabian and South Asian markets. However, he added that Bahrain must not rest on its laurels and needed to maintain the pace of business-friendly reforms. Shaikh Mohammed said these reforms would be supported by three underlying goals or "pillars," which he identified as: investment in people, stimulation of business, and accountability and transparency in government.

4. (U) Shaikh Mohammed noted that Bahrain is situated between globally significant energy reserves, with substantial gas deposits located 200 kilometers to the east (in Qatar), and abundant oil deposits 200 kilometers to the west (in Saudi Arabia). In contrast, he said Bahrain holds relatively modest reserves and needs to rely on its human resources. Nevertheless, he observed, "a lot of people are resisting change right now because they see oil at sixty to seventy dollars a barrel." (Note: Petroleum production and refining accounts for roughly 67 percent of GDP. End note.) Shaikh Mohammed lamented the dearth of qualified Bahraini professionals available to meet the demands of a growing private sector. "Bahrainis today can't compete," he said. He proposed that this could largely be overcome by reforming Bahrain's education system, which he described as a critical factor for Bahrain's economic survival.

-----  
Rolling Out the Red Carpet  
-----

5. (U) On stimulating business, Shaikh Mohammed said the EDB's goal was to move from government red tape to government red carpet, ensuring Bahrain's position as a preferred place to do business for nationals and foreigners alike. He said the government's role was to stimulate business, and the EDB was in the process of refining its plan to boost key competitive sectors. (Note: Shaikh Mohammed has previously identified these sectors as information technology and telecommunications, education and training services, financial services, healthcare services and tourism, per Reftel. End Note.) For example, he said Bahrain should not compete as a mass tourism destination. He noted that Bahrain has archeological sites as old as the pyramids of Egypt, but these should be more actively promoted to niche markets only. Shaikh Mohammed promised further clarification by year end on the EDB's strategy for key sector support and said the strategy would feature an emphasis on quality and downstream,

value-added services.

16. (U) With regard to greater accountability and transparency in government, Shaikh Mohammed said the EDB would expedite the formation of government holding companies to better manage GOB holdings in firms. As an example of why this is needed, he said that since 1968, the GOB's interest in the Bahrain Petroleum Company (BAPCO) had grown in value from USD one million to USD one billion, and that these assets must be managed for an optimal return. He also said the EDB would introduce a system to identify key performance indicators to track and improve the efficiency and effectiveness of government offices serving Bahrain's business community. The EDB will also seek to promote performance-based GOB budgeting and transparency in providing access to land. Shaikh Mohammed noted that only eleven percent of land in Bahrain is currently zoned.

-----  
SOME EXECUTIVES DOUBTFUL  
-----

17. (SBU) Though some AmCham executives in attendance expressed enthusiasm for the presentation, several others were clearly unimpressed and openly expressed impatience. "We need action, not more talk," said one attendee. Pointing to Shaikh Mohammed's lackluster delivery, one AmCham board member suggested that Shaikh Mohammed may have too much on his plate and feared he may not be equal to the task of heading up the EDB. "They need someone with more zip," he said. A respected Bahraini economics professor and journalist who had not attended the presentation told Econoff October 22 that he had recently heard negative comments from several Bahraini business leaders reflecting a growing skepticism of the EDB's relevance.

-----  
COMMENT  
-----

18. (C) Shaikh Mohammed's presentation was a recycling of remarks he has delivered in various business community venues over the past several weeks. He appeared visibly tired and his presentation lacked the enthusiasm characteristic of previous talks he has delivered. His ability to quickly capitalize on new powers the EDB has been given (Reftel) to implement the substantive policy improvements he envisions will be critical to maintaining the support of the Bahraini business community. Given current oil prices, which in effect offer a reprieve on the urgency of implementing economic reforms, this may prove all the more challenging.  
End Comment.

MONROE